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By Fawn Johnson - Wednesday, June 16, 2010 - Dow Jones Newswires

WASHINGTON -(Dow Jones)- In a rare victory for congressional Republicans, U.S. Senate negotiators on a broad financial overhaul bill voted Wednesday to exempt small and mid-sized companies from audits required under the 2002 Sarbanes-Oxley accounting law, indicating the exemption is one step closer to becoming law.

House lawmakers earlier agreed to the same language.

Without additional changes, the auditing exemption will be included in the final measure that must be approved by all lawmakers before going to the White House to be signed into law.

Wednesday's vote for the exemption among Senate members of the financial bill's conference committee occurred over the objections of Senate Banking Committee Chairman Christopher Dodd (D., Conn.), but with support of Republicans and some business-friendly Democrats.

The auditing exemption in the House-passed financial bill was the subject of considerable controversy last year, prevailing over the objections of House Financial Services Committee Chairman Barney Frank (D., Mass.) and other Democratic leaders.

The exemptions for smaller businesses were pushed by Reps. Scott Garrett (R., N.J.) and John Adler (D., N.J.).

In an interview, Garrett said some lawmakers have been attempting to scale back the range of the Sarbanes-Oxley law since it was enacted. "We have been able now to make a small improvement to that law," he said. Garrett still intends to oppose the overall financial measure, but that vote isn't likely to derail the bill.

Small companies claim that internal controls mandated by Sarbanes-Oxley are too onerous for them, and for years the U.S. Securities and Exchange Commission has granted them extensions to prepare for compliance. But SEC Chairman Mary Schapiro has said she wants to stop granting exemptions and start requiring all companies to start complying.

Some House Democrat leaders see the Sarbanes-Oxley exemption as weakening the broader proposed market regulatory regime because it chips away at the landmark accounting law.

"We all heard from the smaller public companies about the problems with compliance with the audit requirements," Dodd said. "Since then, a lot of those concerns have been alleviated."

Still, arguments that the accounting law's requirements are burdensome enough to cost jobs resonated with many lawmakers.

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